Verizon Wireless's move to buy 20MHz of wireless spectrum from cable operators has caused a seismic shift in the wireless industry.

The deal announced on December 2nd will give Verizon access to spectrum licenses that cover about 259 million potential customers. The company plans to pay the cable consortium SpectrumCo--which consists of Comcast, Time Warner, and Bright House Networks--$3.6 billion for the spectrum licenses. In a market where wireless operators are all jockeying for more spectrum resources, Verizon has scored a major win by taking a huge swath of unused spectrum for itself. I am concerned though that giving Verizon Wireless more spectrum will seriously deprive smaller competitors of the spectrum they'll need to stay competitive. Competition is good for consumers and gives us more choice in providers. Lower competition results in increased price. As such the Department of Justice and FCC have found the AT&T T-Mobil merger anti-competitive while allowing AT&T to buy un-used Qualcomm wireless spectrum with conditions even though AT&T has plenty of spectrum already (is a spectrum hog some could say the same for Verizon Wireless which has sufficient spectrum for its service till 2015) that AT&Tunder-invests in their network capacity which is why number 2 AT&T lags the number 1 carrier Verizon Wireless in service.

Some winners and losers in this deal:

Winners

Verizon Wireless: The most obvious winner in this transaction is Verizon Wireless. The carrier seems to have outfoxed its competition. Most analysts hadn't expected Verizon to buy more spectrum until late 2012 or 2013. So for the most part, the market was not expecting Verizon to make a major play for more spectrum so soon. The company has said that its current spectrum position would be sufficient at least through 2015.
There is a possibility that demand for its 4G LTE and 3G services are increasing so quickly that it needs more spectrum sooner, but it's also conceivable that the company was simply looking to get a leg up on its competition.
With the SpectrumCo licenses, Verizon will now have 110MHz of spectrum nationwide, which is more than AT&T, notes Jonathan Chaplin, an analyst with Credit Suisse. AT&T has about 90MHz of spectrum.
This clearly gives Verizon a capacity advantage, he added. Verizon also already has some AWS spectrum of its own. In the future, the carrier could use the additional AWS spectrum from SpectrumCo to complement its existing holdings to provide faster services and more capacity using

next-generation 4G LTE technology.
The operating agreement Verizon has worked out with the cable companies may also prove to benefit Verizon in the long term, as well. Now, Verizon will be able to bundle its wireless service with cable broadband, TV, and voice service in parts of the country where it doesn't offer its own broadband service. And there is also an option for the cable companies to become reseller customers of Verizon's service in the future.
SpectrumCo cable companies -- Comcast, Time Warner, and Bright House Networks: The SpectrumCo cable companies get to have their cake and eat it too. In addition to Verizon Wireless, they are also the biggest winners in this deal. For one, these companies will earn a good return on the spectrum that they bought in 2006. JP Morgan analyst Philip Cusick estimates that the SpectrumCo companies got a 54 percent premium on what this same spectrum sold for in the 2006 auction.
But what's probably more important for the cable companies is the strategic benefits that come along with the other parts of the agreement with Verizon Wireless. As part of this deal, starting immediately the cable operators will also be able to sell and market Verizon Wireless service as part of a quadruple play bundle to their customers. And Verizon Wireless will also be marketing and selling their broadband, TV, and voice services in Verizon Wireless retail stores. This deal even includes the marketing and sale of cable services in areas where Verizon competes with its Fios services.
Additionally, the agreement also stipulates that four years from now, the cable operators will be able to get access to all of the Verizon Wireless network at wholesale rates so that they can sell wireless service under their own brands.
For these cable operators, the marketing and reselling aspects of the arrangement could be more valuable than the spectrum sale itself, because it still gives the cable companies a wireless strategy without the risk and expense of building and owning their own wireless networks.
Clearwire: Clearwire is both a winner and a loser as a result of this deal. It's a loser because it will lose Comcast and Time Warner as customers that resell its service. It may also lose because it could lose Comcast and Time Warner as investors. But Clearwire is also a winner because it is sitting on another huge swath of unused wireless spectrum, which has just increased in value as the supply for spectrum gets tighter.
If AT&T is not allowed to buy T-Mobile and the companies cannot form a partnership, the industry will be looking for other sources of wireless spectrum. And Clearwire has plenty of it available.
Dish Network: Just like Clearwire, Dish is a winner because it also owns a lot of unused wireless spectrum. It holds about 40MHz of wireless spectrum, which it could use to build its own network, sell to others looking for spectrum, or combine with other players in a partnership. Dish is now a leading candidate to partner with T-Mobile or even AT&T should the merger between those carriers fail.

Losers

T-Mobile USA (and parent company Deutsche Telekom): Craig Moffett, an analyst with Sanford Bernstein said it best in his research note to investors: "Pity poor T-Mobile. Verizon just ran off with the last pretty girl in the bar."

Indeed, this latest move by Verizon means that T-Mobile will have fewer options if Deutsche Telekom's deal to sell T-Mobile to AT&T falls apart. A deal between T-Mobile and the cable companies looked particularly sweet since the spectrum the cable companies own is in the AWS band, which is the exact same spectrum band that T-Mobile is using to build its 3G wireless service.

But now it looks like T-Mobile's options are dwindling. The Department of Justice is suing to block the $39 billion merger with AT&T. And last week, the FCC said that it also opposes the merger.

Regulators want to see T-Mobile remain a fourth competitor in the national wireless market. But without additional spectrum, the carrier will likely be unable to continue to compete. Without additional spectrum available for auction anytime soon, T-Mobile and other carriers looking for more spectrum will have to strike deals to combine resources. If regulators approve the deal between Verizon Wireless and the cable operators, T-Mobile will have one less option for a partnership.

AT&T: AT&T is also a loser for the same reason that T-Mobile is. With the chances of closing its deal with T-Mobile now at less than 10 percent, AT&T now has fewer options for getting its hands on desperately needed spectrum to fuel the growth of its services.

The No. 1 reason that AT&T cited for its proposed $39 billion merger with T-Mobile is its need for additional spectrum. AT&T, the second largest carrier in the U.S., has struggled to alleviate congestion in some parts of its network. And the company has argued that T-Mobile's spectrum would give it more wiggle room, especially in large cities. The company also said T-Mobile's additional spectrum would pave a quicker path to new more efficient 4G LTE services.

But regulators aren't buying AT&T's arguments. The FCC said in its report against the merger that in 99 out of 100 markets competition would harmed if AT&T and T-Mobile combined networks. And the agency also said it would result in a massive loss of jobs.

As the second largest wireless provider in the U.S., AT&T could have also been a strong contender for the SpectrumCo licenses. Instead, AT&T's largest competitor has the licenses, strengthening its spectrum position. This can be viewed as a negative for AT&T.

On the flip side, some analysts think this might be a positive for AT&T in the long run. Bernstein's Moffett believes that AT&T will actually do better in a duopolistic market. And as Verizon gobbles up more wireless spectrum, it looks like the market is clearly headed in that direction.

Metro PCS and other smaller wireless players: Smaller wireless operators, such as MetroPCS are also trying to grow their wireless networks to compete against the big boys. Now that it looks like Verizon will get 20MHz more of wireless spectrum, there is less spectrum available for the smaller players. MetroPCS has said publicly that it was interested in buying some, if not all, of the SpectrumCo licenses. But now that option is off the table.

Sprint Nextel: This deal is really a mixed bag for Sprint. On the one hand, Comcast and Time Warner Cable, the No. 1 and No. 2 cable operators in the U.S., had been Sprint's partners in Clearwire, a company building a nationwide 4G wireless network. Sprint has the largest stake in the company and is the largest wholesale customer of the Clearwire 4G service. But Comcast and Time Warner were also wholesale customers, albeit with far fewer customers. Now that they are selling their spectrum to Verizon, they will no longer resell Clearwire's 4G service, which hurts Sprint, too.

But what is likely more troubling for Sprint is that these companies will likely be forced to sell their stake in Clearwire at some point, leaving more of the financial burden to build out Clearwire's 4G network on Sprint's shoulders.

"The cable operators will stop reselling Clearwire's service within the next six months. That obviously hobbles not just Clearwire, but also parent company Sprint," Moffett said in his research note. "This deal means the cable industry will almost certainly have to exit the Clearwire venture, and raises troubling questions about whether Sprint will have to take on additional equity in the venture, and potentially have to begin consolidating it money-losing income and debt-laden balance sheet. Potentially having to finance such a transaction would come at a time when Sprint already faces a highly uncertain cash flow outlook."